

To: President of the European Commission Ursula von der Leyen, President of the European Council Charles Michel, Acting President of the European Parliament Roberta Metsola

Cc: Executive Vice Presidents Frans Timmermans, Margrethe Vestager, Valdis Dombrovskis; Commissioners Thierry Breton, Paolo Gentiloni, Ms. Kadri Simson, European Commissioner for Energy

18<sup>th</sup> January 2022

**RE: Closures and curtailments in Europe’s non-ferrous metals industry because of high electricity prices. A call for concrete actions to address the critical situation**

Dear Ms President Van der Leyen, dear Mr President Michel, dear Ms Acting President Metsola,

On behalf of Europe’s collective non-ferrous metals industry, we are writing to you to sound the alarm regarding today’s unsustainably high European electricity prices and their risks for Green Deal industrial goals.

The current power crisis has already led to unprecedented curtailments and temporary closures across our sector, which is the most impacted today. We’re deeply concerned that Europe now risks entering a decade of repeating power price spikes, and request that the EU and governments deliver a thorough and concrete package of measures to prevent deindustrialisation in strategic industries.

After a quadrupling of electricity prices, over half of the EU’s aluminium and zinc smelters are today operating at reduced capacity or have temporarily closed, together with a significant reduction in silicon output. The EU has temporarily lost 650,000 tonnes of primary aluminium capacity: about 30% of its total. Downstream industries are facing higher material costs, and Europe’s supply gap must be bridged with imports, often with a higher footprint.

Without stronger EU and Member State action, there is a real risk of further curtailments and closures in our sector, to the detriment of Europe’s strategic autonomy goals, while other major energy-intensive sectors will be disincentivised from investing into industrial electrification for their own decarbonisation.

The EU’s Industrial Strategy recognises that the Green Deal will require metals in higher volumes to supply clean energy value chains such as batteries, electric vehicles, wind turbines, solar panels, and grid infrastructure. Europe must not only retain its existing metals supply base to meet this demand in a sustainable way, but also create positive business conditions for investments into extra refining capacity for energy transition metals.

Neither will be possible if today’s high electricity prices become systemic, and the reality is that the increasing global metals demand is currently being met by new refining capacity in other parts of the world.

Metals including aluminium, copper, nickel, zinc, and silicon are all significantly more electricity-intensive to produce than other materials and are priced globally as commodities<sup>1</sup>. This means that our industry has been the worst hit by the electricity price crisis. Electricity is also important for the refining of other critical metals where the EU is prioritising new investments.

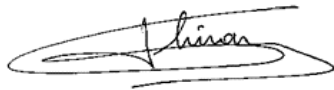
While power prices have increased in many countries across the globe, European producers have been worst hit. This is because industries in most countries outside Europe benefit from regulated tariffs set by local governments or benefit from favourable power purchase agreements which hedge them against the recent price increase. The impacts on European companies will only worsen further if today’s high prices start influencing our capacity to negotiate competitive long-term power contracts.

<sup>1</sup> Electricity costs make up to 40% of the production costs for primary non-ferrous metals



We welcomed the toolbox published by the Commission back in October as a necessary first step. However, a lot more now needs to be done, both to stop the impact of the current crisis and to avoid repeat situations in the years ahead. We attach a set of concrete solutions in the Annex of this letter, and ask that you take these into consideration through a coordinated and largescale policy response which matches the severity of today's situation.

We trust that our concerns and suggestions will be given due consideration and hope to discuss them further in a meeting with your offices.



**Guy Thiran**  
Director General, Eurometaux



**Mikael Staffas**  
President, Eurometaux  
President and CEO, Boliden



**Annex 1: Current Closures and curtailments in the Non-Ferrous Metals Sector since September 2021**

We give the following examples from Europe's aluminium and zinc sector.

Zinc

All 9 electrolytic zinc smelters in the EU have been heavily affected by the power crisis. As announced in the media, some EU zinc smelters have stopped productions while the others curtailed output by 10 to 50%:

- **Glencore (Italy)**
  - o Glencore to close Portovesme zinc operation in Italy. See [here](#).
- **KCM (Bulgaria)**
  - o KCM zinc smelter in Bulgaria closed due to high Electricity prices. See [here](#).
- **Nyrstar (The Netherlands, France and Belgium)**
  - o Nyrstar's fully electrified zinc smelter in Budel-Dorplein, the Netherlands, Nyrstar curtailed production at its three European smelters, by up to 50%. See [here](#).
  - o Nyrstar's operations at Auby, France idled. See [here](#).

Aluminium

Overall, over half of our Europe's aluminium smelters have been affected by the power crises. The EU has temporarily lost 650,000 tonnes of primary aluminium capacity: about 30% of its total. We have seen the following:

- **Aidel (The Netherlands)**
  - o Aidel, the only producer of primary aluminium in the Netherlands with a capacity of 110,000 tonnes, completely curtailed production since October last year. 100 permanent staff and contractors have been laid off (see [here](#)).
- **Alcoa (Spain):**
  - o Alcoa to curtail the primary aluminum production at San Ciprián for two years with the commitment to initiate its restart from 2024". See [here](#).
- **Alro (Romania):**



- Alro (Romania's sole aluminium smelter) reduced its production by 60% and only 2 out of 5 production units will operate in 2022. Personnel reductions at the aluminium smelter and alumina plant amount to 800 workers. Unions rallied in protest against the decision last week (see [here](#))
- **Aluminium Dunkerque (France)**
  - The AIP smelter in Dunkirk, the biggest smelter in the EU with an annual capacity of about 285,000 tonnes, cut output by 15%. No direct layoffs are planned, but temporary workers are being sent home. The plant has lost about 20 million euros since the beginning of November, and further curtailments may be necessary (see [here](#) and [here](#)).
- **Talum (Slovenia)**
  - Talum lowered production from its Slovenian smelter to a third from November 1. It produced 114,581 tonnes in 2021 (see [here](#)).
- **Trimet (Germany):**
  - Trimet's Voerde and Hamburg smelters announced a 30% reduction in the annual capacity of about 70, 000 tonnes per year (see [here](#))
- **Slovalco (Slovakia)**
  - Slovalco announced a 40% curtailment. The plant had already announced a capacity cut to 80% in 2019 because of uncertainty regarding Slovakia's possible ETS compensation scheme and the European Commission's delay in the adoption of the revised ETS Guidelines. The new cut corresponds to an annual reduction of 35,000 tonnes of aluminium (see [here](#) and [here](#)). If conditions are not improved, the smelter, which is one of the newest and most efficient in Europe, will shut down permanently

## Annex 2: Measures which should be adopted to address high electricity prices

### Short term

- i. Consider the use of **national strategic gas reserves** to stabilize the market
- ii. Ensure **EU ETS prices do not rise too high**; the use of the Market Stability Reserve to address excessive prices should be investigated.
- iii. Swiftly develop an **emergency state aid framework** that provides clear conditions and rules allowing Member States to take quick action to help national industries during high energy prices crises (similarly to the State Aid Temporary Framework for COVID-19).
- iv. Member States should **reduce or cap taxes and surcharges** on electricity for the most electro-intensive
- v. Provide full compensate for the **indirect costs of the EU ETS** in all Member States

### Medium term

- i. Any phase-out of traditional power sources must be **preceded by the deployment of new dispatchable generation** in order to ensure a smooth transition and avoid power shortages and volatile prices.
- ii. Encourage schemes supporting **corporate power purchase agreements for carbon free electricity**, especially aimed at electro-intensive industries which can provide a medium to long term mitigation
- iii. Ensure sufficient access to **carbon free electricity at globally competitive prices for industry** and retaining sufficient backup capacity in the grid

